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31 May 1974

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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Comments and queries on the contents of this publication are welcome. They may be directed to the editor of the Weekly Review.

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Disengagement

Reaction throughout the Middle East to the announcement on May 29 of a Syrian-Israeli disengagement has been generally favorable. The important parties to the dispute, however, have treated the announcement with caution or have withheld official comment.

Syria

Damascus radio quoted President Hizon's announcement of the agreement, but so far has not carried any official statement or explanation of the accord. A Syrian-Soviet communique issued at the time of Foreign Minister Gromyko's departure from Damascus played down the importance of the agreement, repeating Syria's position that the separation of forces is merely a "first and inseparable part of an over-all settlement."

The Syrian public is puzzled by the government's performance, according to Western reporters. Some people reportedly doubt that an agreement has really been reached; others assume that an official statement will come with the signing of the document in Geneva on May 31.

Israel

In Israel, officials sought to dispel apprehension. Information Minister Peres said at a press conference on May 29 that no one regrets signing the separation of forces agreement with Egypt, which he said improved Israel's position, and that

Reaction in the Middle East

a similar "change in the atmosphere" may come from the agreement with Syria. He insisted that the government agreed out of a clear Israeli interest, and that it had not sold out settlers on the Golan Heights.

The conservative Likud coalition announced that it opposed ratification of the agreement. A Likud spokesman criticized the accord for jeopardizing the Golan settlements, failing to elicit a Syrian promise to prevent fedayeen attacks from its territory, and neglecting the plight of Jews in Syria.

In spite of Likud's opposition, the Knesset yesterday approved the agreement.

Egypt

Cairo radio emphasized President Muzaw's statement that prospects for peace in the Middle East are now better than they have been at any time over the past 25 years. Egyptian officials noted that the agreement opens up the possibility of negotiations on further Israeli withdrawals from Egyptian territory, and clears the way for resumption of the peace negotiations in Geneva.

Lebanon

The Lebanese government has expressed its approval. Influential members of parliament, however, have expressed concern that the Israeli military threat to Lebanon may now increase, and

Tel Aviv might be able to sow further dissension between the Lebanese and the Palestinians.

Fedayeen

The Palestine Liberation Organization had not released a statement as of May 30. Within the fedayeen movement, however, the conclusion of the disengagement agreement will strengthen the position of Palestinian moderates who favor Palestinian representation at the Geneva conference. Syria, with Egyptian urging, can be expected to align Saïda—the fedayeen group Damascus supports—with Yasir Arafat in favor of attending the Geneva talks. The more extremist fedayeen organizations will reject any solution that appears to imply acceptance of Israel as a state, even assuming that the Israelis withdraw from all of the territories occupied in 1967. The prospects appear to be for continuing disarray in the ranks of the fedayeen, more acts of terrorism by extremist elements, and support of these groups by Iraq and Libya.

FIGHTING SCHEDULED TO CEASE

Fighting continued at a low level even after the announcement of the accord. A Syrian spokesman stated on May 30 that Syrian tanks and artillery were firing on Israeli positions. All fighting is supposed to cease on May 31, however, with the formal signing of the disengagement agreement in Geneva.

Except for an occasional flare-up, the level of combat on the Golan front was lower this past week than at any time since fighting resumed in mid-March. Israeli and Syrian forces exchanged only sporadic tank, artillery, and mortar fire. Israeli and Lebanese troops engaged in a number of minor skirmishes.

Israeli and Syrian aircraft were active on a couple of occasions, attacking targets in the central sector of the front. The Israelis flew a few reconnaissance missions over southern Lebanon and the Golan Heights.

THE USSR: STAYING INVOLVED

The Soviets stepped up their Middle East diplomacy during the week, probably in anticipation of the disengagement agreement between Syria and Israel. Moscow apparently wants to strengthen its ties with several Arab states prior to the return of Middle East peace negotiations to Geneva.

Soviet Foreign Minister Gromyko flew to Damascus on Monday for consultations with Syrian leaders on the status of the negotiations and to assure Syrian President Asad of Moscow's support. In view of Moscow's almost total exclusion from the Egyptian-Israeli disengagement negotiations, the Soviets hope to underline their continuing interest in the Middle East and perhaps to take some credit for the Syrian-Israeli agreement.

As he left Damascus, just hours prior to the announcement of the disengagement agreement, Gromyko said that the USSR fully supports Syria's stand on the agreement and on the entire Middle East problem. It seems likely that Gromyko sought some assurances from Asad that Syria will attend the Geneva peace conference and will work closely with Moscow.

Meanwhile, Soviet-Egyptian relations appeared to take a turn for the better as Moscow initiated an exchange of messages of praise and gratitude with Cairo on the third anniversary of the Soviet-Egyptian Friendship Treaty. Contrary to press speculation, however, Moscow has not yet resumed military aid shipments to Egypt. The last Soviet arms carrier in Egyptian waters was detected on April 13. In contrast, the Soviets have continued to supply Syria with sophisticated new arms.

Soviet Defense Minister Grechko arrived in Algeria on May 27 for a four-day official visit—an apparent Soviet attempt to consolidate bilateral relations.

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IRAN-EGYPT: MANNA FROM THE SHAH

Egypt's First Deputy Prime Minister reportedly was "pleased as punch" with discussions in Tehran that on May 25 produced an agreement in principle for economic credits from Iran of possibly \$870 million. Although some of the credit proposals may fail by the wayside, the Shah's overture cannot help but warm ties between the two countries, promote the Shah's regional image, and conceivably lead to an expanded Iranian economic role in the Mediterranean area.

The main points in the pact, of which the details are to be worked out later, call for Iran to:

- provide soft loans of \$250 million for rebuilding Port Said;
- provide \$400 million in credits to finance joint ventures in Egypt to produce phosphate and nitrogen fertilizers, plastics, and cotton goods for Iranian, Egyptian, and other markets;
- give up to \$100 million in credits to boost output in Egyptian chemical, paper, tire and tube, and textile plants;
- supply \$100 million in credits for the purchase of Iranian industrial, transport, road-building, and consumer goods;
- participate in widening the Suez Canal and constructing an oil pipeline from Suez to Port Said;
- set up a joint investment bank in Cairo with initial capital of \$20 million;
- as part of the quid pro quo, Iran will get a commercial outlet, including port facilities, on Egypt's Mediterranean coast.

Some aspects of the recent agreement may well be watered down during the detailed discussions to be held between June and September. Nevertheless, the stage has been set for closer economic relations, which could benefit both countries.



President Sadat
Pleased as punch, too

Although now in a better financial position than in more than a decade, Cairo could use additional aid to revamp its basic services and to participate in joint ventures. Conceivably, President Sadat could also use the Iranian credits to spur Saudi Arabia into giving more aid. For his part, the Shah is looking for markets for Iran's expanding output, which—other than oil—cannot yet compete with products of industrial countries.

The agreement with Cairo is a major step in the Shah's plan to establish Iran as a leading power in the region. In the short run, the accord should pay off in political credits with Sadat, who in the past has been critical of Iran's dealings with Israel. It has become evident since the end of the October war that Tehran's policy is to develop better relations with the moderate Arab states. Toward this end, the Shah has more openly supported UN Resolution 242, which requires Israel to withdraw to pre-1967 boundaries. Moreover, ties between Tehran and Tel Aviv have been handled with even more circumspection than usual.

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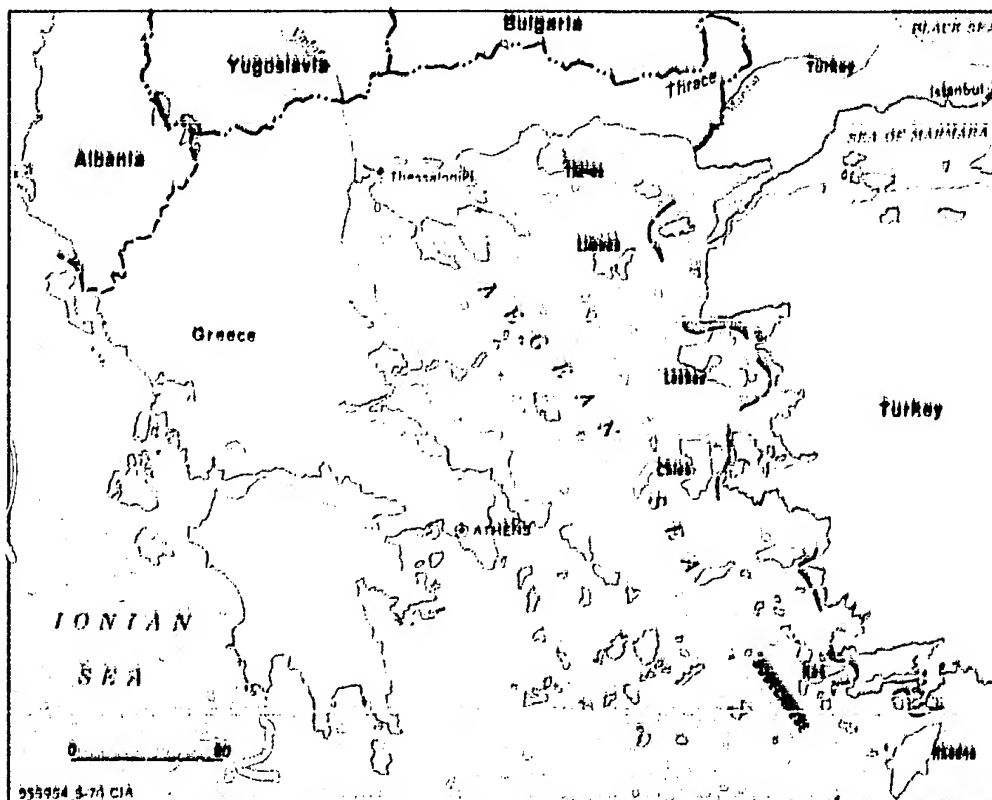
GREECE-TURKEY: TROUBLED WATERS

Ankara, impatient over Athen's hesitation to commit the Aegean Sea dispute to negotiation, sent a ship this week to survey for oil in the eastern part of the sea. This move, which is regarded by Athens as "very serious," has substantially increased the risk of a military incident. A Turkish official has told US officials that the ship, which was escorted to the eastern Aegean by warships, will explore for oil in "disputed waters." The Turkish move puts pressure on Athens to back up its statements that it will defend its "rights" in the Aegean with force if necessary.

The US consul in Thessaloniki reported late this week that forces in northern Greece had been alerted and fighter aircraft moved to the area. He also observed one Greek amphibious ship loading at Thessaloniki. The Greek government called an emergency cabinet meeting on May 30 to decide how to deal with the Turkish action.

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Prior to the Turkish move this week, there were signs that both sides anticipated early talks. A Greek diplomatic note last week seemed to offer some basis for discussions, and Ankara had announced that the respective foreign ministers would meet for talks at the NATO ministers' meeting in Ottawa on June 18-19. The Law of the Sea Conference starting in Caracas a few days later could provide another opportunity for direct contact.

The dispute, fueled by a promising oil discovery several months ago near the Greek island of Thasos, concerns differences over the continental shelf boundary. The Greeks hold that a median line should be negotiated between the Greek islands in the eastern

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Aegean and the Turkish mainland. The Turks want to divide the Aegean seabed equidistant between the respective mainlands. Under the Turkish version, the Greek islands off Turkey's coastline would be assigned a six-mile territorial sea limit.

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Portuguese Africa SEEKING A CEASE-FIRE

General Spínola's provisional government and the rebels in Portuguese Guinea began formal talks in London last weekend as part of Lisbon's priority effort to arrange early cease-fires in all three of its long-troubled African dependencies. After a week of discussions, the quick agreement sought by Lisbon had not yet been reached.

The London talks have dragged on beyond their originally scheduled deadline of May 27, as the rebels adopted a tougher bargaining stance than the Portuguese anticipated. Spokesmen for the two sides have characterized the talks as "friendly," but have refused to comment on the substantive matters being discussed. Portuguese Foreign Minister Soares flew to Lisbon on May 28 for consultations; he returned to the talks on May 30.

On the basis of conversations with Soares, British officials speculated on May 29 that the talks had bogged down over rebel demands for an immediate regrouping of Portuguese troops and for discussion of the future of the Cape Verde Islands. The rebels apparently are also insisting that Lisbon recognize the "government" the rebels proclaimed last year and the "right" to independence of Angola and Mozambique. Lisbon is trying to confine the present discussions to arrangements for a cease-fire in Portuguese Guinea. Soares told the US ambassador in Lisbon this week that Portugal remains hopeful of achieving an early cease-fire "in place" in Portuguese Guinea and of separating the other issues from the current talks.

According to the US Interests Section in Algiers, the rebel delegation has received encouragement from the Algerians to stand fast in its demands, even if the talks have to be broken off temporarily. Prior to arriving in London, the delegation conferred in Algeria with President Boumedienne, Foreign Minister Bouteflika, and the Algerian ambassador to the rebel regime. The rebel group flew to Britain in Boumedienne's private plane.

So far, Lisbon has been unable to draw the insurgents in Mozambique and Angola to the negotiating table. The rebels in Mozambique are in a strong military position and probably prefer to see what concessions the Portuguese are willing to grant in the current talks. The Angolan rebels—split into three competing organizations, all militarily weak—are being pushed by Zaïre, Zambia, and Tanzania to establish a united front that will be able to bring concentrated military and political pressure to bear on Lisbon. Representatives of the three groups met in Lusaka on May 26 and agreed to "work together." A meaningful reconciliation probably remains distant, however, given the mutual suspicions and past hostilities among the groups.

Meanwhile, the Portuguese military commander in Angola banned street demonstrations following a rally on May 26 by several hundred supporters of the Caetano government. That gathering was held in response to a political rally the same day by some 5,000 Africans supporting the Popular Movement for the Liberation of Angola, one of the three insurgent organizations. Although the African rally was peaceful and included an address by the interterritorial minister, the pro-Caetano demonstration was unorganized and unruly and, according to the US consul, could easily have gotten out of hand. The ban was motivated by a desire to avoid a serious racial clash in the future. So far, racial tensions in Angola have remained in a low key.

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FRANCE: GISCARD BEGINS NEW ERA

President Giscard's cabinet is the most broadly based government to rule France in almost two decades. The composition of the 16-member cabinet indicates that Giscard intends to exercise firm control over his government and to be responsive to France's desire for change.

The leaders of Giscard's own Independent Republican Party will be key figures in the new

cabinet. Party president Michel d'Ornano will head the Industry Ministry, while Giscard's right-hand man, Michel Poniatowski, will lead the Interior Ministry. Poniatowski is the only member with the title of minister of state, which entitles him to stand in for the prime minister when he is absent. Other Independent Republicans hold the Economy and Finance Ministry and the agriculture portfolio.

The Gaullists did not fare well. Although they have five portfolios, including the premiership, no significant leader of the party is a member of the government. Only Housing and Equipment Minister Galley is a nationally prominent Gaullist, while the three other Gaullist ministers are party back-benchers. Premier Chirac's support of Giscard during the campaign alienated the more orthodox Gaullist leaders, and he may have trouble with them and their followers in the National Assembly. Chirac will probably be able to muster a solid majority in the assembly, but the Gaullist leadership has already made clear publicly that it will not follow unquestioningly the leadership of the Giscard team.

Members of various center groups hold four posts, with Jean Lecanuet, whose early support was critical to Giscard's victory, as justice minister. Giscard awarded the Administrative Reform portfolio to Jean-Jacques Servan-Schreiber, who represents the extreme left of Giscard's supporters and has been a severe critic of Gaullist administrations. The remaining three posts are held by technical experts.

The new foreign minister, Jean Sauvagnargues, is a career diplomat without political affiliation. He has been ambassador to Bonn since 1970. His appointment, coupled with the close relationship between Giscard and West German Chancellor Schmidt, suggests that cooperation with Bonn, especially in the EC, will receive high priority under Giscard. Sauvagnargues is an articulate defender of French interests, and his Western colleagues often find him difficult to deal with.

In his first week in office, President Giscard has continued efforts to overcome his patrician image. He has won wide praise for the simplicity of his inauguration and for his order that issues of newspapers in which the president is personally attacked will no longer be impounded. After the first cabinet meeting on May 29, a government spokesman said that the President had also ordered the suppression of wire-tapping. Virtually

unrestricted bugging by the security services has long been an irritant to the left and to critics of the government.

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CSCE: FADING PROSPECTS

At the Conference on Security and Cooperation in Europe, Soviet intransigence over the issue of freer movement of persons and ideas between East and West has cast a pall over the negotiations at Geneva. Moscow's obstructionist tactics have provoked Western and neutral delegations to delay progress in other fields. As a result, many participants are beginning to harbor doubts about the wisdom of accepting the Soviet timetable, which envisages completion of the current stage of negotiations next month in time to sign the final agreement at a summit meeting in July.

As a result of the impasse, the EC Nine have begun to consider the courses that remain open in case the conference cannot be completed this summer. These options range from a continuation of the negotiations into the fall to the drastic step of adjournment *sine die*.

Western and neutral delegates, meanwhile, remain puzzled by the Soviet tactics, which have placed a successful early conclusion of the talks in serious doubt. The Soviets have persistently advocated a rapid conclusion to CSCE, even though their rigid negotiating posture since the Easter recess has not been conducive to this goal. While Moscow can still make last-minute concessions, it now appears that these may be too little and too late to get the West to conclude the talks with a summit-level meeting this summer.

The concessions demanded by the West touch sensitive nerves in the Kremlin and are bound to be controversial. Recent leadership changes and political uncertainty in various Western countries may have added to the Soviets' caution. They may now prefer to let the confused situation settle down a bit before making any commitments.

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USSR-CHINA: THREATENING THE STICK

Moscow continues to play a carrot and stick game in its efforts to secure the release of the helicopter crew that China has detained since March 14. Last week, the stick was being brandished by one of the Foreign Ministry's leading China experts, Mikhail Kapitsa. He told US Ambassador Stoessel that the Chinese were parading the Soviet airmen through regional towns and might give them a public trial. Kapitsa implied that the Soviets might attempt to help the crewmen by grabbing some Chinese as hostages.

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The main purpose of these statements is probably to get a message across to Peking via diplomats in Moscow that the Soviets are getting impatient and may do something rash if the Chinese are not more reasonable. It is doubtful that Moscow actually has plans to seize Chinese hostages. The Soviets must recognize that such an action would only heighten tensions and make Peking less likely to return the crew.

Kapitsa's remarks are symptomatic of the frustration Moscow feels over its inability to find a face-saving way to settle the helicopter affair. The Soviets have taken the unusual step of calling on the International Committee of the Red Cross for help and, when that did not work, of berating the Chinese for not responding. On the home front, the weekly *Literary Gazette* is still publishing emotional letters on the helicopter crew, but otherwise the Soviets have not used the incident for an extensive public anti-Chinese campaign.

With the helicopter affair still unsettled, the Soviets were at some pains to reassert their position on a recurring Sino-Soviet problem that reappeared last week on schedule. The issue is the ownership of Hei-hsia-tzu Island (called Big Ussuri by the Soviets), strategically located opposite Khabarovsk. The Soviets have maintained de facto control of the island for years, even though by most international standards the island belongs to the Chinese.

Every year when the border rivers thaw and shipping resumes, China reiterates its claim to the island by routinely notifying the Soviet border river authorities that it will be sending ships into the main navigation channel of the river north of the island. The Soviets reply that the Chinese must ask permission of the Soviet inland rivers commission, or else take the matter up through diplomatic channels. Not wanting to concede the point of principle, the Chinese refuse.

The same scenario is being acted out again this year. Last week, however, the Soviets, for the first time, made public their standard reply to the Chinese. In so doing, Moscow may be trying to dissuade the Chinese from the kind of activity they engaged in last year, when their attempt to use the prohibited channel precipitated a series of incidents. They may also take satisfaction in publicizing a border question in which the USSR clearly has the upper hand.

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CAMBODIA

HOMEWARD BOUND

Ranking Khmer Communist leader Khieu Samphan arrived in Hanoi from Peking on May 27, winding up an extended international tour. In the course of his two-month absence from Cambodia, the junketing "vice premier" and "defense minister" visited 12 Communist and nonaligned countries where he met with a host of important leaders. His travels served to make the point that the Khmer Communists must be reckoned with politically before the fighting in Cambodia can end. They also gave the Khmer Communists a chance to develop some early momentum for another bid to unseat the Lon Nol government at the UN this fall.

Samphan's visits to China undoubtedly were the high points of his tour. His successful talks in Peking appear to have aligned the Khmer Communists more clearly and firmly with China. While in Peking, Samphan declared that China is "our most reliable and solid rear area" and, in a joint communique issued at the end of his visit, he praised Chinese leadership and policies.

On the Chinese side, the communique repeated Peking's calls for an end to US "aggression" in Cambodia and the withdrawal of US support to the "Lon Nol clique" so that the Cambodians could resolve their differences independently. This long-held Chinese position stops short of prescribing a military solution and suggests that Peking has not yet excluded a negotiated settlement. There was no sign in the communique, however, that the Chinese anticipate any early solution in Cambodia.

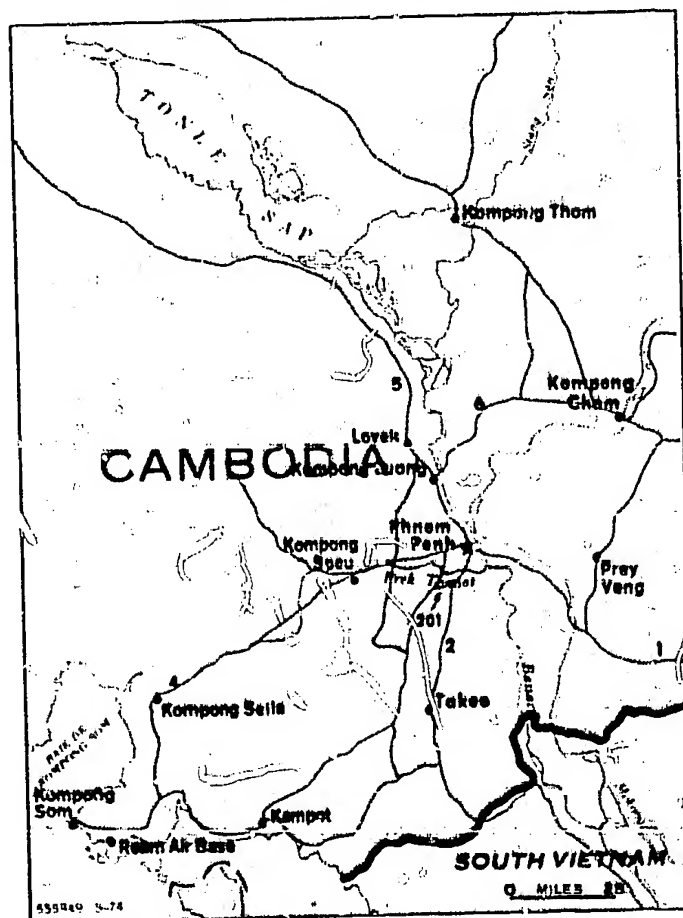
The communique also disclosed that an aid agreement had been signed providing for "gratis" Chinese military equipment to the insurgents. The Chinese first signed a separate military aid agreement with Sihanouk's "government" in mid-January 1973. The conclusion of the 1974 agreement so late in the year could mean that the level of Chinese support will be relatively low. The pact probably resulted from increased Khmer Communist pleas for support, especially in light

of what the insurgents consider to be continued heavy US assistance to Pinnom Penh.

While not ignoring Sihanouk entirely, the communique played down his role in the "struggle." Sihanouk evidently was not present during the final substantive discussions in Peking. Samphan's treatment by the Chinese indicates that they believe he will take a major part in any future settlement.

THE MILITARY FRONT

Cambodian Army troops met stiff resistance this week as they tried to force the Khmer Communists from positions southeast of Phnom Penh between the Bassac and Mekong rivers. Insurgent infiltrators from this area and from an area



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northeast of the city managed to move within rocket and mortar range of the capital, but their sporadic shellings caused only light casualties.

Government defenders well north of Phnom Penh at Lovek and Kompong Thom continued to counter insurgent initiatives. Elsewhere in this region, a Khmer Navy convoy moved up the Tonle Sap River from Phnom Penh to Kompong Chhnang City on May 28—the first transit of that important supply waterway since the Communists began their interdiction campaign five weeks ago. East of Phnom Penh, insurgent pressure seemed to be easing against Prey Veng City but, in the far southwest, the Communists continued to move in on the government garrison at Kompong Seila on Route 4.

A GOVERNMENT CRACKDOWN

The government's patience with student-teacher agitation in Phnom Penh has finally run out. Early this week, authorities began arresting student and teacher activists on charges of illegal assembly. The move apparently was designed to quash student-teacher plans to organize a "popular congress" to discuss new anti-government measures.

There were no serious reactions to the arrests, and by midweek the government had released 29 of the 64 detainees. The government's action apparently helped improve its shaky relations with the obstreperous National Assembly, which had been critical of Prime Minister Long Boret's failure to deal more forcefully with the unrest.

the burdens of high political office. The Prime Minister and his cabinet had come under increasing attack in recent weeks for a lack of decisive leadership at a time of economic and political turmoil in Thailand. The 67-year-old Sanya, a professor who saw his government in an interim caretaker role, felt that it should be left to an elected government to forge sweeping new policies. This conflict of expectations, along with the desire of key members of his cabinet to pull out, led Sanya to conclude that his position was no longer tenable.

Although few Thais argue that Sanya is suited for political office, a genuine consensus emerged almost immediately that he was the best man to lead the nation at this delicate time. Sanya's appeal is due largely to the fact that he personally is not a threat to those with political ambitions or to the vested interests of the military and the bureaucracy. Three days after resigning, he responded to a vote of confidence by the National Assembly and to signs of wide public support, by agreeing to form a new government. He will make some changes in the cabinet, presumably affecting those who had been under strongest attack in recent weeks—the ministers of finance, commerce, education, and industry.

Thailand may gain some political maturity from the events of the past week. Sanya, like so many senior Thai officials, does not deal easily with the type of criticism being directed against the government in Bangkok's current free-wheeling political atmosphere. After years of tight military rule, the press and the politicians have been reveling in their new-found freedom to criticize even the prime minister. They may be learning, however, that there are limits as to how far they can push government officials. The turmoil already seems to have sparked a realization among many Thai that creating a democratic form of government will require cooperation and not just criticism from all quarters of the Thai political spectrum. The Bangkok press is now urging that the process of reviewing the draft constitution be expedited by the assembly. As things now stand, elections cannot be held until 90 days after the constitution has been promulgated.

25X1 THAILAND: POLITICAL TURMOIL

Thailand's transition from military rule to democracy was sidetracked, at least for a while, last week when Prime Minister Sanya tendered his resignation to the King. Sanya had agreed last October to serve only until a new constitution could be promulgated and elections held, but the draft constitution is presently mired in the National Assembly.

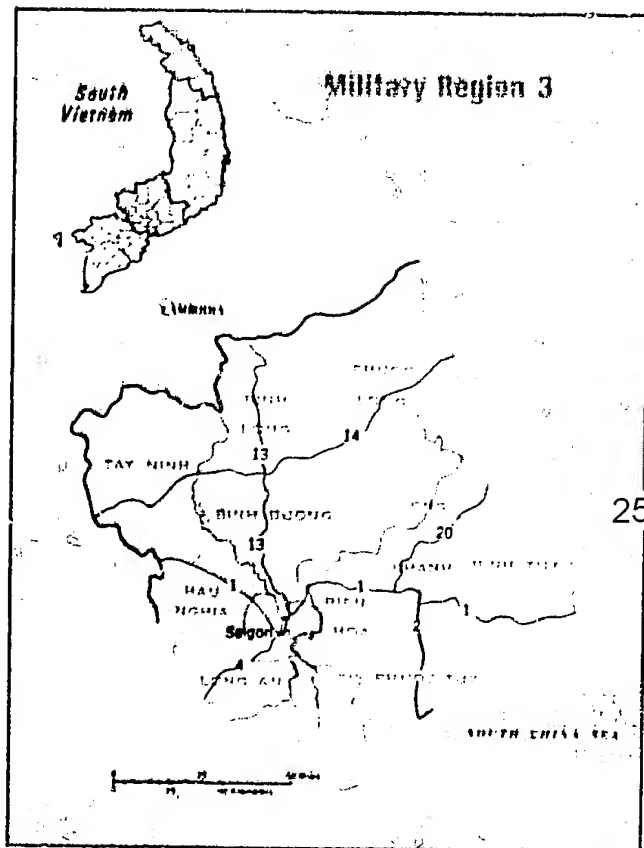
Sanya, who has frequently voiced a desire to step down, claimed he could no longer cope with

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SOUTH VIETNAM: MORE FIGHTING

Military action remained relatively high in much of the country as tit-for-tat fighting occasionally grew into regimental and near division-sized engagements. Heavy fighting continued in Quang Tin Province, where a North Vietnamese force is attempting to re-assert Communist control in a thinly populated area and move toward the coastal lowlands. Action in the central highlands centered on a North Vietnamese garrison and supply depot at Vo Dinh, north of Kontum City. In retaliation for the Communists' capture of the government outpost at Dak Pek two weeks ago, the South Vietnamese launched heavy air strikes against Vo Dinh and are now trying to move against the base with a regiment-sized force.



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This type and level of action is likely to continue throughout the country into June, with the focus possibly in the area northwest of Saigon. In this area, the South Vietnamese have thus far made little headway in their efforts to retake positions lost two weeks ago in Binh Duong Province.

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Units from the Communists' 7th and 9th Divisions will apparently bear the brunt of the fighting, replacing elements of the 5th Division, which suffered substantial losses earlier this month. South Vietnamese counterattacks against those units evidently were severe enough to knock them out of action temporarily and force the Communists to bring up reinforcements.

Souphanouvong called for a policy of strict neutrality, maintaining that Laos should avoid involvement in any military pact or alliance. He advocated the normalization of relations with all countries regardless of their social or political systems, with top priority going to neighboring Indochinese states.

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Laos

ANOTHER COMMUNIST INITIATIVE

The Lao Communists have followed up their recent success in blocking the opening of the rightist-dominated National Assembly by proposing a comprehensive political program for the new coalition government. The program, outlined in a major speech before the coalition's Joint National Political Council by its chairman, Prince Souphanouvong, is the most significant Communist policy statement since publication of the Pathet Lao's "12 Points" in November 1968 and their "6 Points" of March 1970.

Souphanouvong's highly nationalistic presentation indicates that the Communists will push hard to amend the Lao constitution and the nation's electoral laws to better reflect their view of current political realities. The Prince also dwelled on the need for economic self-reliance and the elimination of "bad" foreign influences. At the same time, however, Souphanouvong stated that "unconditional" foreign economic assistance would be welcome. He singled out the US as having special responsibility for "healing the wounds of war."

The Vientiane side was definitely caught short by this latest Communist bid to take the political initiative. Although non-Communist and neutralist elements have recognized the need to organize a united political front, they have been unable thus far to agree on who should lead such an undertaking.

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CANTON FAIR GETS POOR MARKS

Traders came away from the 1974 spring Canton Fair describing it as the worst in years. The value of contracts signed apparently fell short of the \$1.3 billion reached at the 1973 fall fair. Even Chinese reports on the fair were restrained. Besides touting the new exhibit building, the only positive claims made were for the presence of more than 25,000 foreign representatives and for a record number of business transactions with Third World traders.

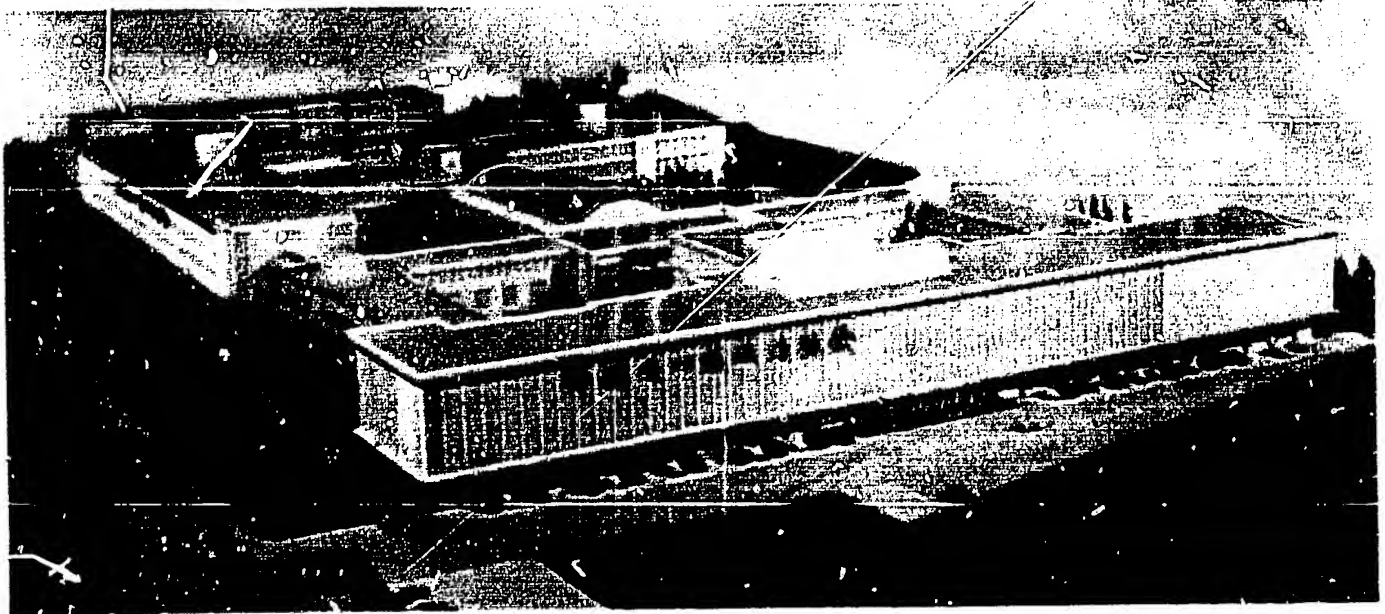
Economics, not politics, caused the decreased business activity. Manufactured goods were in short supply, many types of Chinese mineral and crude material exports were unavailable, and prices for Chinese goods remained at or above world levels. Peking deliberately limited import activity by cutting back invitations to firms primarily interested in selling to China and by not sending representatives from Techimport, the trade corporation that purchases foreign plants and technology. The current ideological campaign seems to have had no effect on the negotiating atmosphere or on attitudes toward foreign businessmen.

The fair was a disappointment to US businessmen. In spite of a record turnout of 175 US firms, purchases were only about \$15 million

compared with the \$25 million bought at the fair last fall. In addition to high prices and supply shortages, US importers continued to have problems with the style, labeling, and packaging of Chinese goods.

US sales were also off from the \$15 million total of last fall. Only 10 percent of the US firms invited were exporters and few of these were major manufacturers. United Shoe Corporation sold \$500,000 worth of shoe manufacturing machinery through its French affiliate. Continental Can made a presentation on a complete assembly line for food cans worth \$1.5-2.0 million and was asked to submit price quotations.

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CHILE: FOREIGN POLICY PROBLEMS

Junta President Pinochet has had some success with personal diplomacy close to home, but other aspects of the military government's foreign policy are foundering. Pinochet's meetings with the presidents of Brazil, Bolivia, Paraguay, and Argentina have gone well and have served as morale boosters in the face of increasing tension with neighboring Peru. But relations with Colombia are strained, there are serious problems with key countries outside the hemisphere, and many countries continue to give Chile the cold shoulder at the UN and other world forums.

Foreign Minister Huerta's exasperation was apparent when he met newsmen last week. Huerta charged that the former Colombian ambassador—who had been recalled over Chile's delay in issuing safe-conducts to the few remaining asylees in the Colombian Embassy—was linked to Chilean extremists and said he was happy that the ambassador would not be returning to Santiago. Huerta also denounced Colombia's refusal to accept a retired carabinero general as Chile's new representative in Bogota.

Reacting to a British announcement that contracts for aircraft engine overhauls and spare parts would be terminated, Huerta labeled London an unreliable arms supplier and expressed approval of Minister of Mines Yovane's call for the use of copper as a diplomatic weapon.

There was more bad news for Huerta from the UN last week in the form of Ambassador Bazan's latest bleak assessment of Santiago's diplomatic situation.

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Foreign Minister Huerta

Bazan—a civilian career diplomat—has been concentrating on trying to maintain Chile's place in the UN's nonaligned group. He also has been trying to convince his military superiors that explanations and denials have been ineffective in countering the Communist world's steady drumbeat of denunciations of the junta for alleged violations of human rights.

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The junta is amenable to voting with the nonaligned on matters not central to Chile's interests, but tailoring domestic policy to suit foreign critics is another matter.

The junta sees its internal security and other domestic policies as necessary and proper under current circumstances and as consistent with Chilean and international law. Bazan seems to be well on the way to talking himself out of a job and, if a review of foreign policy were held at this point, the result could well be a frustration-inspired abandonment of the effort to remain in the "third world."

25X1

CUBA'S EXPERIMENT IN DEMOCRACY

A pilot project involving the selection of government administrative officials through popular election is being carried out in Cuba's smallest province. After adjustments are made for problems revealed during the experiment, the program will be expanded to include all six provinces and the national government as well, according to official announcements. The manner in which the project is being handled, however, suggests that it does not enjoy the unqualified support of all factions within the Castro administration and may occasion some rugged political infighting.

Although Castro himself initially broke the news of the experiment now under way in Matanzas Province, he has since avoided close identification with it. Not a single member of the party's Political Bureau, for example, was present during the Matanzas provincial party assembly on March 3 when details of the project were made public. Instead, a ranking member of the pre-Castro Communist Party, Blas Roca, presided. Castro himself or officials personally associated with him presided over all of the other five provincial party assemblies—and it has since become clear that Roca has been placed in complete charge of the project. The initiation of such a major political undertaking would normally command the presence of Castro himself, flanked by



Blas Roca
Playing a dangerous game

members of his "guerrilla elite." It is difficult to interpret their absence as anything but an attempt to disassociate the Castro clique from the scheme.

At the same time, the fact that the management of the project is in Roca's hands suggests that the "old" Communists—those in the present regime who belonged to the prerevolutionary Communist Party—are attempting to capitalize on increased Soviet influence and interest in this facet of the institutionalization process that has been in progress throughout Cuban society since 1970. The "old" Communists may believe that Castro's popularity among the masses has declined in recent years and that they stand a good chance of substantially augmenting their power during the first party congress scheduled for next year.

Roca, however, is playing a dangerous game. He is wholly committed to the new project and has thus left himself open to charges of "sectarianism" should Castro choose to move against the faction that over the years has caused him considerable irritation and embarrassment. In 1962, "old" Communist Anibal Escalante, while serving as organizing secretary of the political machine then being formed by Castro, attempted to place his colleagues in enough key positions to dominate the party, but he was unmasked by Castro, charged with "sectarianism," purged from the party along with many of his supporters, and forced to leave the country while the political apparatus he had set up was quickly dismantled and replaced.

Roca is now in a similarly vulnerable position. Moreover, as former secretary general of the "old" Communist Party for 27 years, Roca would be likely to bring down with him a large portion of the "old" Communist faction, were he to be purged. It is likely, however, that Fidel would be satisfied with a discredited and cowed Roca, and that he would probably stop short of a thorough purge. In any event, Fidel still controls the military and security forces, and so long as he does, the "old" Communists will be forced to resort to political maneuvering and infighting rather than naked force.

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ARGENTINA: ANTI-GUERRILLA OFFENSIVE

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An anti-guerrilla sweep by security forces in Tucuman Province, which began on May 18, has given the Peron government a small taste of success in its counter-terrorist offensive. Ineptitude on the part of federal police, however, may have precluded greater results in the action against the Marxist People's Revolutionary Army.

The large-scale operation—a joint undertaking by several hundred federal police together with provincial and border police and the armed forces—reportedly uncovered a major training camp used by the terrorists. The assault on the jungle base, which occurred in an isolated mountainous region described by the press as "Little Vietnam," evidently was hampered by heavy rains. This, in addition to indecision—probably stemming from friction between the combined services involved—may have given the terrorists a chance to escape encirclement.

Press reports claim that 150 suspects were arrested in a subsequent manhunt, but only 27 of them are still being detained as probable extremists. If most of them are members of the People's Revolutionary Army, the roundup would represent the government's first successful blow against the organization. According to official disclosures, weapons and documents were con-

fiscated, but the importance of the discoveries appears to be less than initial reports indicated.

Meanwhile, a source within the Peronist-controlled labor movement told the US embassy in Buenos Aires that Peron is expected to approve plans by militant labor unionists to move against left-wing extremists. The source added that preparations are under way to identify leftist "targets" and that actions against them would be "bloody." Implementation of these plans may coincide with Peron's planned departure for Europe. His absence would permit him to avoid close identification with repressive measures that are likely to evoke strong opposition in Argentina.

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